

THE ESSENTIALS

Introducing the fabulous five essential services that make up the new, for people who need a little bit of everything, GCI offers The Essentials—five types of communications bundle. Not about every service imaginable, including wireless, for the incredible price of \$89.99 a month.

THE ESSENTIALS \$89.99 a month

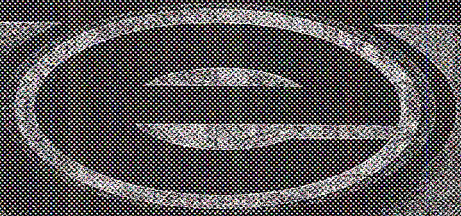
- 55 channels of Digital Cable TV
- 150 minutes of long distance per month
- Local phone service w/ caller ID
- LifeSpeed cable modem Internet
- 350 minutes per month of advanced GSM wireless
- Free cell phone
- Alaska Airlines Miles

Dash over to GCI and get all the essentials in life.



ALN 6/1/05

STARTING GCI'S FANTASTIC FIVE



THE ESSENTIALS

Internet

Cellular

Long
Distance

Local Phone
Service

Cable TV

GCI offers The Essentials—the super communications bundle. Just about every service imaginable, including wireless, for the incredible price of

\$49.99* a month

THE ESSENTIALS

- Basic Cable TV, Movie Channel, and access to PPV
- 150 minutes of long distance per month
- Local phone service
- 24x7x365 High-speed cable modem internet
- \$25.00 per month of advanced GSM wireless
- Free cell phone
- Service in Arizona only

GCI

We are all connected.

ADN 6/15/05

When something is perfect, why change?



The Ultimate Package. Still \$79.99.



You already know that The Ultimate Package comes with everything you could ever need in life for just \$79.99 a month. And as even our costliest lions almost beyond measure.

So even though the heads on the news channels may worry about inflation, the Ultimate Package remains at its original, amazingly affordable price.

Get the Ultimate Package from GCI. Still kicking ninety for \$79.99 a month.

The Ultimate Package

135 channels of reliable digital cable

Internet

LiteSpeed cable Internet

Upgrade to HyperNet Xpress with 1 Mbps speed and get 5 GB of bonus Mail

Local

Local phone service with voice mail and long distance of your choice

Long distance

100 out of state minutes free and upgrade to 400 minutes and get 2 GB of bonus Mail

Mail



Get 5 GB of bonus Mail

265-5400
www.gci.com



We are all connected.

\$79.99
month. Tax.

[Home](#) >> [Current Promotions](#) >> [High-Speed Internet](#)

- [High-Speed DSL Pack](#)
- [Sign Up for High-Speed Internet!](#)
- [High-Speed Internet](#)
- [Rates and Packages](#)
- [Can I get DSL?](#)
- [Find out Why DSL is the best choice for high speed](#)
- [DSL FAQs](#)

High-Speed Internet
Secure. Always On. Unlimited Downloads.
[Sign Up Now!](#)

Get on the Best Network for only \$49

High-Speed Internet

Secure • Always On • Unlimited Downloads

DSL from ACS, Local and Long Distance phone service for one low rate.
Currently available in Anchorage, Fairbanks and Juneau, subject to DSL availability.

Just pick your speed and you're on your way to sharing pictures, listening to digital music, streaming video and playing games at up to 20 times the speed of dial-up. Plus you can talk on the phone while you surf the Internet all on the best network in Alaska!

SERVICES INCLUDE:

DSL Standard Pack	320/240 for \$49
DSL Speed Pack	Up to 1.0 M for \$69
Local Service	Simple Solutions Feature Pack*
Voice Mail	10 Message Bundle Box
Long Distance	Easy Choices 100 Plan: 100 Anytime Interstate Minutes

*Simple Solutions Feature Pack: Call Forward, Three-way Calling, Spontaneous Call Waiting, Caller ID, Call Forward Busy/Don't Answer, Distinctive Ring (up to 3), Continuous Redial, Call Waiting, Caller ID, Last Call Return, and Speed Calling.

What does DSL do?

- Connects you to your games, shopping entertainment and friends at up to 20 times faster than a dial-up connection. DSL gives you your own dedicated connection to the Internet using your existing phone line and phone jacks.

What is DSL and how much is it?

- DSL or digital subscriber line uses your existing phone line to give you high speed Internet. You can talk on the phone and surf the net at the same time.
- Get DSL today with our 30-day money back guarantee, plus get local service and long distance. Rates start as low as \$49 a month.

How does DSL work?

- Just order a DSL modem from ACS, either in our stores or by calling us direct. Self install the modem and software on your computer and you are ready to experience the reliability and consistent speeds of DSL from ACS.

TO ORDER

Online - [High Speed Internet Order Form](#)

By Phone - In Anchorage call 563-8000. For all other locations call 1-800-808-8083.

In Person - Visit one of our convenient [ACS Store Locations](#)

Additional monthly taxes and surcharges will apply. Service not available in all area or on all telephone lines and subject to final confirmation of services by ACS. Actual throughput speed will vary. Speed and uninterrupted

[Home](#) > > [Consumer](#) > > [DISH Network](#) > > [America's Top 120 ~ Dish Network](#)

- [DISH Network](#)
- [Why Satellite TV?](#)
- [Compare to Cable](#)
- [Frequently Asked Questions](#)
- [Channels](#)
- [Equipment](#)
- [Pricing](#)
- [Troubleshooting Tips](#)
- [DISH Warranty](#)
- [Installation](#)
- [Signup for Service](#)
- [Contact Information](#)

America's Top 120 ~ Monthly Price: \$42.99 / Annual Price: \$479.88

Our most popular programming package! America's Top 120 offers some of the finest news, sports, movie, children's and family programming available, along with more than thirty commercial-free, CD-quality music channels. All this plus Anchorage local channels in 100% digital quality!



A VARIETY OF YOUR FAVORITE CHANNELS



MORE OF YOUR FAVORITE CHANNELS



= Free Spanish audio feed available.

modem over the other guys' DSL.

Here's why.

All urban myths aside, GCI's high-speed cable modem just plain kicks the stuffing out of the other guys' DSL.

No, your neighbor's use won't slow you down, and GCI cable modem is the most secure connection around. Plus our HyperNet speeds start where theirs end. Take a look at the difference:

Service	ACS DSL (The Pipe)	GCI Cable Modem (Xtreme)
Price & Speed		\$39.99 for 1.0Mbps/256Kbps
Early Commitment		NO
Service phone line		NO
File, email and virus/spam protection		YES
Speed limited by neighbors		NO - Cable modem speeds are available anywhere you live. You always get the speed you're paying for.
DSL line required		NO - You never have to log on with GCI cable modems.
Available Speed		1.0Mbps/256Kbps 2.0Mbps/384Kbps 3.0Mbps/384Kbps 4.0Mbps/384Kbps
24/7 Technical Support		YES - we are available 24/7

Why pay more for less? GCI HyperNet is the one to choose — and that's what Alaskans are doing. Give us a call today.

265-5400



Proud sponsor of the Iditarod

www.gci.com

3 out of 4 Alaskans choose GCI cable modem over the other guys' DSL.

Here's why.

All urban myths aside, GCI's high-speed cable modem just plain kicks the stuffing out of the other guys' DSL.

No, your neighbor's use won't slow you down, and GCI cable modem is the most secure connection around. Plus our HyperNet speeds start where theirs end. Take a look at the difference:

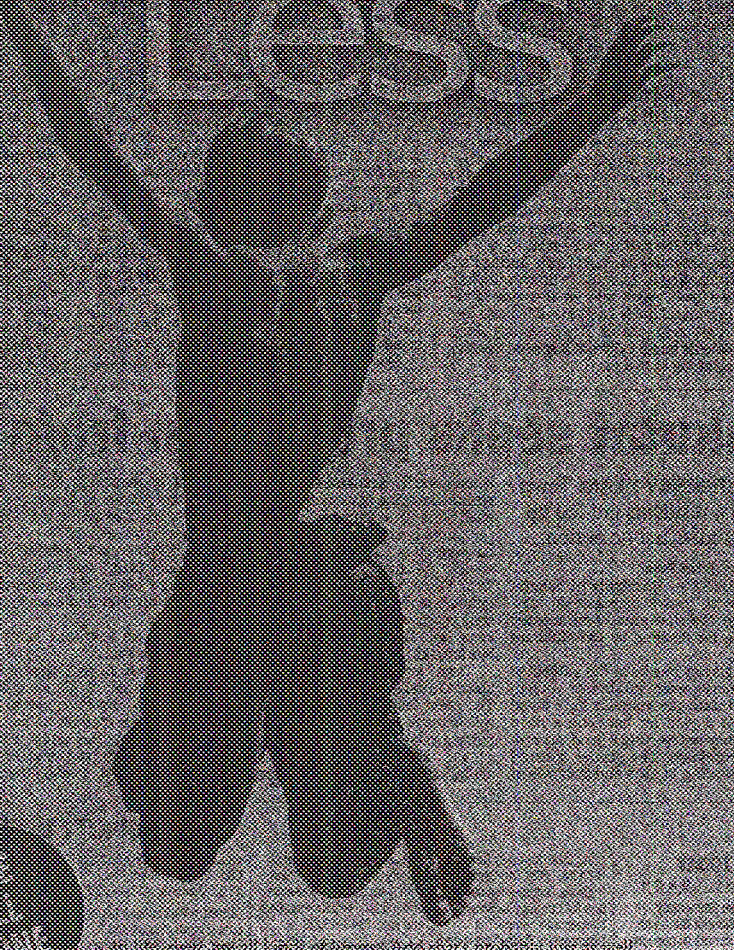
Service	ACS DSL The Pipe	GCI Cable Modem (Xtreme)
Starting Service		\$39.99 for 1.0Mbps/256Kbps
Limit on number of lines		NO
Access to phone line		NO
Download and upload speeds		YES
Speed limited by when I live		NO - Cable modem speeds are available anywhere you live. You always get the speed you're paying for.
Do I have to log on		NO - You never have to log on with GCI cable modems.
Available Speeds		1.0Mbps/256Kbps 2.0Mbps/384Kbps 3.0Mbps/384Kbps 4.0Mbps/384Kbps
24/7 Technical Support		YES - we are available 24/7

Question	Yes	No	Not Sure	Don't Know
Water is good	100%	0%	0%	0%
Water is dangerous	0%	100%	0%	0%
Water is clean	100%	0%	0%	0%
Water is dirty	0%	100%	0%	0%
Water is good for drinking	100%	0%	0%	0%
Water is bad for drinking	0%	100%	0%	0%
Water is good for washing	100%	0%	0%	0%
Water is bad for washing	0%	100%	0%	0%
Water is good for bathing	100%	0%	0%	0%
Water is bad for bathing	0%	100%	0%	0%
Water is good for swimming	100%	0%	0%	0%
Water is bad for swimming	0%	100%	0%	0%
Water is good for fishing	100%	0%	0%	0%
Water is bad for fishing	0%	100%	0%	0%
Water is good for growing crops	100%	0%	0%	0%
Water is bad for growing crops	0%	100%	0%	0%
Water is good for growing animals	100%	0%	0%	0%
Water is bad for growing animals	0%	100%	0%	0%
Water is good for growing plants	100%	0%	0%	0%
Water is bad for growing plants	0%	100%	0%	0%
Water is good for growing trees	100%	0%	0%	0%
Water is bad for growing trees	0%	100%	0%	0%
Water is good for growing flowers	100%	0%	0%	0%
Water is bad for growing flowers	0%	100%	0%	0%
Water is good for growing vegetables	100%	0%	0%	0%
Water is bad for growing vegetables	0%	100%	0%	0%
Water is good for growing fruits	100%	0%	0%	0%
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Water is good for growing grass	100%	0%	0%	0%
Water is bad for growing grass	0%	100%	0%	0%
Water is good for growing wheat	100%	0%	0%	0%
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Water is good for growing corn	100%	0%	0%	0%
Water is bad for growing corn	0%	100%	0%	0%
Water is good for growing soybeans	100%	0%	0%	0%
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Water is good for growing rice	100%	0%	0%	0%
Water is bad for growing rice	0%	100%	0%	0%
Water is good for growing cotton	100%	0%	0%	0%
Water is bad for growing cotton	0%	100%	0%	0%
Water is good for growing sugar	100%	0%	0%	0%
Water is bad for growing sugar	0%	100%	0%	0%
Water is good for growing tobacco	100%	0%	0%	0%
Water is bad for growing tobacco	0%	100%	0%	0%
Water is good for growing hemp	100%	0%	0%	0%
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Water is good for growing sisal	100%	0%	0%	0%
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Water is good for growing kenaf	100%	0%	0%	0%
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Water is good	100%	0%	0%	0%

100



Limit Less



**FREE
CELL
PHONE**

With life's most urgent kinds of issues. And that's probably just as well. After all, can you imagine driving without a speed limit? Even answers if you're from Montana.

But now there are things you won't have to limit. Talking on your GCI cell phone. You'll use GCI's unlimited cellular. Call as much as you want... day or night. For just \$40 a month (you'll pay up to \$39.95 a month with the GCI phone).

Plus, if you have a new GCI service, you don't even have to purchase the phone... it's free for 30 days. And if you're a new GCI customer, you'll get a \$50 credit. The possibilities are limitless.

Based on you sign up for GCI local phone service at long distance, you'll receive up to a \$50 credit—the possibilities are limitless.

And a partner for only \$45 a month and then unlimited local service in Alaska. Unlimited cellular from GCI. One less thing to worry about. Give us a call.

265-5400
www.gci.com



ADN 6/3/05

And
w/24hrs

Give us a call

265-5400

www.gci.com

GCI

Limit

are limitless.

the possibilities

to a \$50 credit—

you'll receive up

or long distance

phone service

up for GCI local

plus, if you sign

cell phone is FREE

get the best

have any other

company, it will

have to pay for

the service

and the

the best

FREE CELL PHONE

Tuesday, March 29, 2005



The Ultimate Package.
Still kickin' hiney. Still \$79.99-ey.

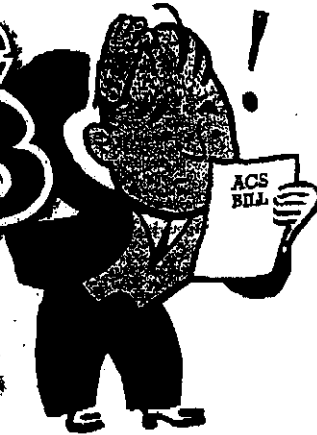


Since GCI introduced The Ultimate Package, with everything you could ever need in life for just \$79.99 a month, tens of thousands of Alaskans have saved millions of dollars on their local, long distance, cable, and Internet. We've also added three more channels since its introduction.

And how has our competition answered? Well, they recently

The other guys	VS.	The Ultimate Package
117 weather-sensitive channels	TV	135 channels of reliable digital cable
DSL. Not as reliable as cable Internet. You don't always get the advertised speed	Internet	LiteSpeed cable Internet. Upgrade to HyperNet Xtreme with 1 Mbps speed and get 5,000 Free Minutes
Local phone service with voice mail and many other features	Local	Local phone service with voice mail and many other features
Only 100 out-of-state minutes	Long distance	150 out-of-state minutes included. Upgrade to 400 minutes and get 5,000

**They've
added 3
more
bucks!**



The Ultimate Package.
Still kickin' hiney. Still \$79.99-ey.



Since GCI introduced The Ultimate Package, with everything you could ever need in life for just \$79.99 a month, tens of thousands of Alaskans have saved millions of dollars on their local, long distance, cable, and Internet. We've also added three more channels since its introduction.

And how has our competition answered? Well, they recently raised the price of their Outfitter by about three bucks.

**Hmmmmmm.
Let's compare again.**

The other guys

VS.

The Ultimate Package

117 weather-sensitive channels

TV

135 channels of reliable digital cable

DSL. Not as reliable as cable Internet. You don't always get the advertised speed.

Internet

**LifeSpeed cable Internet.
Upgrade to HyperNet Xtreme
with 1 Mbps speed and get
5,000 Bonus Miles**

Local phone service
with voice mail and
many other features

Local

Local phone service with
voice mail and many
other features

Only 100
out-of-state
minutes

Long distance

150 out-of-state minutes included. Upgrade to 400 minutes and get 5,000 Bonus Miles

Nope



\$113 a month
(That's a nearly \$3 increase)

\$79.99 a month
(STILL)

265-5400
www.gci.com

GGI



1. 凡在本行开立存款账户并持有本行借记卡的客户均可申请开通本行网上银行。

ADN 3/2

"It's called wireless service. Both GCI and the other guys do the wireless part pretty well. But in the service part... GCI beats them by a mile."

Ted Hansen
Salesman,
Lithia Chrysler Jeep
of Anchorage
and former ACS
Wireless Customer

At GCI we know that communication isn't all circuits and networks. It takes people who care about their customers to make it all happen. Just ask Ted Hansen, Lithia Chrysler Jeep of Anchorage, GCI.



We are all connected.

Great service.
Superior technology.
We'll keep you connected.

265-5400 www.gci.com

Let's compare apples to apples.

100

100%

100

100%

100%

Abstract

Abstract

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Cell: C. molluscinae
 the Chinese Version



9/6/05

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EXHIBIT F

Thomson StreetEvents



Conference Call Transcript

GNCMA - Q2 2004 General Communication Earnings Conference Call

Event Date/Time: Jul. 28, 2004 / 2:00PM ET

Event Duration: N/A

CORPORATE PARTICIPANTS

John Lowber*General Communication - SVP & CFO***Dana Tindall***General Communication - SVP, Legal, Regulatory & Governmental Affairs***Ron Duncan***General Communication - President & CEO***Bruce Broquet***General Communication - VP of Finance*

CONFERENCE CALL PARTICIPANTS

Richard Klugman*Jefferies - Analyst***Todd Rosenblum***Standard & Poor's - Analyst***Anthony Klarman***Deutsche Bank - Analyst***Ethan Bellamy***Stifel Nicolaus - Analyst***Tobias Wellow***Blackrock - Analyst***Ari Moses***Blaylock Partners - Analyst***Rick Black***Blaylock Partners - Analyst***Liam Burke***Ferris Baker Watts - Analyst***James Lee***Decision Economics - Analyst*

PRESENTATION

Operator

Good afternoon and welcome to today's GCI second-quarter 2004 earnings release conference call. (OPERATOR INSTRUCTIONS) At the request of the Company today's call is being recorded for replay purposes. Should anyone wish to object you may disconnect at this time. I would now like to turn the conference over to Mr. John Lowber, Senior Vice President and Chief Financial Officer. Mr. Lowber, you may begin.

John Lowber - General Communication - SVP & CFO

Thank you very much. Thank you all for taking the time to participate in our call today. I'm John Lowber, the Company's Chief Financial Officer. Ron Duncan, our President and CEO is here with me, as is Dana Tindall, our Senior Vice President in charge of Legal, Regulatory and Governmental Affairs. We also have Bruce Broquet, our VP of Finance, and Fred Walker, our Chief Accounting Officer, and a few other supporting staff here.

Later in the presentation Dana will provide an update with respect to legal and regulatory matters. We will all be available to participate in the question and answer session which will follow my initial comments.

If you don't have a copy of our detailed press release, you can find it on our website.

The conference call is being recorded. It will be available for playback for 72 hours beginning at 4 PM Eastern Time today. The playback number is 1-888-567-0444 with an access code of 7461.

In addition to the conference call you may access the conference through the Internet. To access the call via net conferencing log onto our website at www.gci.com and follow the instructions. The webcast will be available for replay for the next two weeks.

I will now read the usual cautionary statement about forward-looking comments and then we will get underway.

Some of the statements made by GCI in this presentation are forward-looking in nature. Actual results may differ from those projected and forward-looking statements due to a number of factors. Additional information concerning such factors can be found in GCI's filings with the Securities and Exchange Commission.

2004 continues to be a great year for us. The second quarter was our third strong quarter in a row. Last quarter we generated a new record for revenues; this quarter we set a new record for net income and earnings per share.

Our net income was up more than 60 percent as compared to the second quarter of last year and was up over 31 percent year-to-date in spite of more than 8 million in costs associated with refinancing our senior notes during the first quarter. Our EBITDA increase from 30.8 million to 34.9 million, or approximately 13.3 percent over last year's second quarter. For the third quarter in a row we have generated EBITDA excluding financing costs of approximately 35 million.

Before discussing our business line results, I thought I would mention a couple of items that I know are of interest to a number of books. The first item relates to progress we've made on the wireless front.

You may recall that we were contemplating building out our own wireless platform unless we were able to negotiate a suitable agreement with one of the existing wireless providers in the market. As you're probably aware by now, we reached an agreement with Dobson Communications that will allow us to add wireless service to our bundle of communication products.

Dobson has recently upgraded their wireless facilities to a state-of-the-art GSM platform which will allow us to begin to promote the latest in wireless product offerings as early as this year, much earlier than if we had built out our own infrastructure. The new agreement has a 10-year term and provides the flexibility we need to be able to compete effectively in the market. If the agreement does not work to our satisfaction we still retain the right to move forward with our own facilities.

In the meantime we will avoid spending the 85 to 100 million in capital expenditures otherwise required to build out our own platform. The agreement reduces or eliminates wireless-related financial and technology risks and includes a provision whereby we will lease a portion of our 30 MHz block of spectrum to Dobson to enhance the capacity of their existing TDMA platform. The lease agreement also will allow us to save money that would have otherwise be spent in anticipation of renewal of our PCS license.

In light of our resolution of the wireless situation, the Company's strong financial performance and the recent price performance of our common stock, our Board of Directors during a recent meeting authorized the Company to initiate a stock repurchase program. The Board authorized the purchase and retirement of up to 5 million of equity per quarter. The path has been cleared for the two remaining quarters of this year. The program is expected to continue into next year and perhaps later years depending on the Company's stock price, financial performance, the amount invested in capital expenditures, and subject to approval of the Company's senior lenders and preferred shareholders. The purchases will be made in the open market and subject to restrictions of Rule 10b-18. The purchases are expected to be made using cash generated from

operations or from borrowings under the Company's senior credit facility.

I will now discuss the results of our business units, beginning with long distance.

Long distance enjoyed a pretty decent quarter, particularly when compared to the rest of the industry. Revenues were up almost 5 percent year-over-year and EBITDA, including the effect of the MCI recovery, was up approximately 8 percent.

You may recall that we recorded approximately 6 million in revenues with approximately 10 percent in margin related to a project we completed during the first quarter of this year. Since a similar transaction did not take place during the second quarter the sequential numbers were affected. Excluding this project revenue, long distance related revenues were up 1.7 percent on a sequential basis and EBITDA was comparable to the first quarter.

We carried 293.7 million minutes during the quarter as compared to 281.2 million minutes a year ago and 301.4 million minutes during the first quarter of this year. The number of customers that made calls during June of this year increased appreciably both on a year-over-year and a sequential basis.

Billed customers totaled 90,728 as compared to 88,256 a year ago and 86,090 during March. This represents a sequential increase of 4600 customers and put us back above 90,000 for the first time in recent memory.

Our average rate per minute totaled 10.4 cents per minute during second quarter, as compared to 11.3 cents in the prior year quarter and 9.98 cents during the first quarter of this year. Our average rate per minute is down 8 percent compared to last year and is up 5 percent when compared to the first quarter. I think the quarter sequential increase is a bit of an aberration as we expected to continue to experience rate compression, particularly in the wholesale arena.

The effective rate reduction, though, is partially mitigated by continued reductions in distribution costs, primarily for access. Our long distance margins dropped 174 basis points in spite of an 8 percent decrease in rates as compared to the prior year, and were basically flat on a sequential basis excluding the effect of the special project. Because we provide local service, we also avoid long distance access charges when traffic originates or terminates on our owned or leased facilities.

Margin improvement is also driven by nominal and relative increases in terrestrial and undersea fiber, satellite, broadband, private line and data revenues. Revenues from these services continued to be robust, increasing almost 19 percent year-over-year to 25.2 million during the second quarter and almost 3 percent on a sequential basis. These revenues represented more than 41 percent of long distance revenues during the quarter.

Long distance EBITDA increase to 21 million for the quarter as compared to 19.4 million for the same quarter of the prior year, representing an increase of 8 percent. As I mentioned, LD EBITDA was flat on a sequential basis excluding the effect of the special project completed during the first quarter.

Cable television. Our cable and entertainment operations enjoyed a strong quarter. Second-quarter revenues were up 5.5 percent over the same quarter of 2003, and were up 1.3 percent on a sequential basis. Rates on an equivalent subscriber basis were up 10.25 percent to \$78.27 compared to \$70.99 a year ago and were up 2.2 percent on a sequential basis.

The increases in our revenues and rates per subscriber were due in part to the continued deployment of our high-value services, including digital and high-definition cable television and cable modems. Cable modem revenues are shared between the cable and entertainment and the Internet business units.

Subscriber counts were up this quarter for the first time in several quarters. Basic subscribers totaled 135,173 at the end of the second quarter, as compared to 133,981 at the end of the first quarter, representing an increase of almost 1200 subscribers.

We mentioned last quarter that we thought we were seeing a slowing in the rate of subscriber loss. In this quarter we are actually able to add subscribers. We were particularly successful in turning up the number of hotel customers during the quarter, and our bundled consumer offering seemed to have been fairly effective.

EBITDA from our cable operations totaled approximately 11.5 million for the second quarter versus 10.97 million for the same quarter of 2003, representing an increase of approximately 5 percent. Second-quarter EBITDA was up approximately 4.5 percent on a sequential basis. Gross profit margins increased by 147 basis points year-over-year and 319 basis points sequentially. EBITDA and margins benefited during the quarter due to our receipt of promotional payments during the quarter which served to reduce our programming costs.

We're still aggressively promoting our cable modem and digital programming offerings. Earlier this year we added the high-definition programming and a digital video recorder. The cable modem revenue run rate, including the portion shared with the Internet business, has reached approximately 24 million on an annualized basis. At quarter's end we had approximately 35,800 digital special interests subscribers compared to the 30,700 that we had a year ago. Since the first of the year we have also rolled out approximately 1900 combination HD and digital video recorder units. We're now able to offer digital programming to 91 percent of our homes passed at quarters and we're nearing completion of our conversion of the Anchorage plant to an all-digital platform.

Local services. Local services business had an eventful yet productive quarter. We turned up approximately 2000 access lines during the quarter, and at quarter's end we were serving approximately 110,600 access lines that we estimate represents a state-wide market share of approximately 24 percent. The 2000 lines we added compares to the 2500 and 2700 we added during the prior two quarters. We have added 8700 lines over the last year.

Our local services revenues increased approximately 21.3 percent over the second quarter of last year and were down slightly sequentially. I mentioned last quarter that the first quarter local services revenues were enhanced by approximately 700,000 in USF revenues resulting from a refinement of our USF revenue accruals.

A year ago we generated an EBITDA loss from local services of approximately 1 million. During the recently completed quarter local services contributed EBITDA of 150,000 without the benefit of approximately 1.5 million of access charge savings enjoyed by the long distance business.

Our access line mix is relatively unchanged with residential lines representing about 60 percent of our lines, business customers about 34 percent, and Internet access customers about 6 percent. Approximately 84 percent of our lines are provided on our own facilities or using leased local loops or UNE platform. Approximately 4.6 percent of our lines are provided using UNE-P.

In part because we're limited in our ability to control loop rental costs, we've been positioning ourselves to deploy digital local phone service using our cable plant instead of leased local loops or other means involving the incumbent local exchange provider.

I mentioned during last quarter's call that we had been preparing the cable plant in order to allow us to begin provisioning 8 to 10,000 lines on our own facilities by the end of this year. We identified, tested and ordered the necessary equipment and began rolling out this new service delivery capability on schedule in early April. We currently have approximately 1500 lines in service using our cable plant, and although the initial turn-up rate has ramp up slowly we still expect to reach our target by the end of the year.

I mentioned last quarter that we are expecting a decision regarding Anchorage loop pricing from the RCA at anytime. As you are probably aware, we did receive a ruling recently which Dana will discuss as part of her regulatory update following my comments.

Internet access services. The Internet business also enjoyed a very strong quarter. Revenues for the second quarter totaled 6.5 million as compared to 4.8 million in the same quarter of the prior year, representing an increase of more than 35 percent. Revenues were up 1.6 percent on a sequential basis.

Quarterly Internet EBITDA reached almost 2.25 million. That compares to approximately 1.4 million in the year earlier quarter and 1.9 million in EBITDA in the preceding quarter.

We deployed another 5100 cable modems during the quarter. We now have approximately 56,800 units in service, over 16,000 more than we had a year ago. We also have approximately 880 DSL subscribers.

Our new free Lightspeed (ph) bundle continues to be particularly effective in attracting new customers and has created new opportunities to promote our high-speed products. Approximately 99 percent of our cable homes passed are able to subscribe to our cable modem service.

At quarter's end we were serving approximately 43,500 dial-up Internet access accounts, down from the 52,500 that we had a year ago and 48,900 at the end of the prior quarter. The decline in dial-up accounts is consistent with our expectations as we expect to continue to migrate these accounts over time to our cable modem products.

We're seeing a decline in the average rate per customer per month due to our aggressive marketing of entry-level modem service and the related effects of tiered pricing, and we expect this to continue for the near-term. Once our entry-level customers are exposed to the benefits of additional modem speed, we expect our average rate per customer to begin to trend back up.

Alaska United (ph). Our new undersea fiber Alaska United West (ph) has now been completed and it is now in-service. Over the last ten days the repair to the Alaska United e-system has been completed and the two systems had now been configured into a geographically diverse of SONET ring. We're now able to differentiate ourselves as having the only such physically diverse SONET ring in the Alaska market. Access to these facilities was a critical element in recent negotiations with one of our large carrier customers, and has facilitated the lease of additional capacity to another larger carrier customer.

Other items of interest. During the second quarter we used approximately 1.1 million of our remaining credit with MCI. The use of the credit is recorded as a reduction of bad debt expense. We used none of this credit in the prior year quarters, and we recorded a benefit of approximately 1.2 million in the first quarter of this year. At the end of the quarter we had remaining unused credit of approximately 5.6 million. We're continuing to record the remaining credit as we use it, and we currently expect to record a benefit of approximately 1 million per quarter until the credit is depleted.

I mentioned also last quarter that we had initiated the process of amending our senior credit facility to reduce the interest rate paid on borrowings under that facility. During the quarter we were able

to reduce the interest rate 100 basis points to LIBOR plus 225 basis points at a nominal cost.

Guidance and economic prospects. We're very pleased with the results for the first half of the year. The Alaska economy continues to be strong and our business is performing well. We exceeded our expectations again during the second quarter.

We forecast revenues in the 103 to \$105 million range and EBITDA in excess of 31 million, excluding any benefit from the MCI credit, which translates into 32.1 million EBITDA compared to the 34.9 million that we generated.

Again, we think it's premature to adjust our prior guidance for the year, and therefore continue to expect revenues in the 410 to \$420 million range with EBITDA including the MCI credit in the area of 134 to 139 million. We're projecting third quarter revenues in the range of 103 to 105 million and cash flow, including any MCI credits, in excess of 32 million.

Liquidity and capital expenditures. We're still in great shape with respect to liquidity. During the first quarter you will recall we issued 250 million in 7.25 percent notes due in 2014 and used proceeds to retire our existing 180 million and 9.75 percent notes and to prepay our senior credit facility. Accordingly, we will have essentially no scheduled principal payments on our senior facility through 2005. We still have our \$50 million revolver in place, which currently has approximately 9.47 million, including 4.47 million in letters of credit, drawn against it, leaving 40.53 million in available capacity.

We invested approximately 17.6 million in capital expenditures during the first quarter -- I guess this was the second quarter -- excluding amounts spent on the new undersea fiber. The investments were made in the following areas -- long distance, 4 million; cable and entertainment, 4 million; local services, 2.8 million; Internet, 2 million; improvements to our north slope fiber, about 365,000; purchases not yet allocated, about 670,000; administrative support, about 3.7 million. We invested an additional 21.3 million in our undersea fiber project, bringing the cumulative amount invested in the fiber at June 30th to approximately 48.1 million.

Our capital expenditures requirements beyond approximately 25 million per year in maintenance capital are largely success driven, and they're a function of the opportunities we developed in the marketplace. During last quarter's call I indicated that we expect our capital expenditures requirements for 2004 to total somewhere in the \$50 million range, depending on available opportunities and the amount of cash flow we generated during the year. That number excluded the additional 34.5 million required to complete undersea fiber project and any special projects that might materialize.

Our Board of Directors has recently reviewed our leverage situation and concluded that the Company is currently under-leveraged. The Board concluded that a target of approximately 435 million in net debt or leverage of approximately 3.2 times cash flow was desirable. These discussions led to the decision to begin returning cash to the shareholders in the form of a stock repurchase program and to revisit capital spending priorities. It now appears that our core capital expenditures will likely be increased another 15 million during 2004 to pursue opportunities in the marketplace.

To recap our cash sources and uses for the quarter on a simplified basis, we generated approximately 34.9 million in EBITDA; we drew down about 5 million of our revolver; out of that we spent about 38.9 million in capital expenditures and 6 million in interest expense, resulting in net use of about 5 million in cash before other items during the quarter.

Excluding our swap agreement which will soon expire, approximately 247 million of our 415 million in debt is fixed-rate debt. Our cash interest expense at current rates on our existing facilities is now running a little over 26 million a year. If you compare that to our last two quarter's annualized cash flow of approximately 140.2 million, you would find our cash interest coverage is approximately 5.39 times. Our leverage at quarter's end on net debt is just over 2.9 times cash flow. On a more normalized 135 million in cash flow, cash interest coverage is 5.17 times and our leverage on gross debt is just under 3.1 times.

I will now introduce Dana Tindall, our Senior Vice President of Legal, Regulatory and Governmental Affairs, and she will provide a regulatory update. After that we will address any questions that you may have.

Dana Tindall - General Communication - SVP, Legal, Regulatory & Governmental Affairs

Thank you John.

There have been two regulatory orders of importance that I would like to discuss today. The first one is the regulatory commission of Alaska's order regarding the Anchorage arbitration proceeding, and the second is the DC Circuit decision vacating portions of the FC's unbundling rules.

With respect to the Anchorage arbitration order, the RCA released an order June 25th setting prices for access to unbundle network elements, resale and terms and conditions for the Anchorage local services market. Most notable in this order, the Commission set a new rate for the unbundled loop element of \$19.15. This is an increase of \$4.23 per loop per month over the current loop rate of \$14.92. In addition, the Commission established a new wholesale discount rate of 24.6 percent, which is a decrease from the existing 26.1 percent off retail.

In its order the Commission also directed the parties to recalculate unbundled element rates consistent with Commission modifications to the switching and transport element inputs. Because the switching and transport element share a common cost with the loop element, this calculation has the effect of adjusting the loop rate downward to yield a final loop rate of \$18.91 per loop per month. We estimate the net impact of the new rates overall to be approximately 3.5 million per year in increased costs to GCI.

GCI believes the Commission made a number of material errors in setting the new unbundled rates, terms and conditions. The most significant error occurred in establishing a cost of capital of 14.28 percent. GCI also believes the Commission erred in determining costs for the portion of the network known as feeder plant. GCI has filed a petition for reconsideration on these and other issues.

Turning to the cost of capital first, at 14.28 percent the Commission awarded a cost of capital to ACS that is 202 basis points higher than that requested by ACS. The Commission arrived at this number by inappropriately mixing ACS's present cost of debt, which is based on its existing highly-leveraged structure, with a much less risky capital structure predicated on a hypothetical firm. ACS claims its present cost of debt is 10.33 percent and its cost of equity is 25.05 percent. Both of these numbers are inflated by the risky nature of its high debt-to-equity ratio. ACS's present capital structure is composed of about 84 percent debt and 16 percent equity. It is common sense that a capital structure with lower leverage such as the 55 percent equity, 45 percent debt assumed by the RCA would significantly reduce both the cost of equity and the cost of debt. The RCA's methodology, however, did not decrease the cost of debt.

Further, the Commission made two errors in establishing the cost of equity. First, the Commission calculated a size premium by again mixing the actual market capitalization of ACS at 16.5 percent equity with the 45.55 capital structure of the hypothetically efficient firm, thus increasing the size premium to be added to the cost of equity.

Second, in utilizing the capital asset pricing model to calculate the cost of equity, the Commission made what we can only figure is a simple computational error, inappropriately increasing the cost of equity component by an additional 71 basis points.

Errors in calculating the cost of equity are particularly pernicious when applied to a capital structure based on 55 percent equity because the RCA allowed ACS, despite the fact that they pay no income taxes, to recover full book income taxes on the amount necessary to achieve the overstated cost of equity. This has a dramatic effect in increasing the required loop rate.

In sum, GCI believes the Commission erred when it mixed an actual debt percentage and size premium based on ACS existing capital structure with the capital structure of a less risky hypothetical carrier. ACS had proposed an efficient carrier cost of

debt of 8.6 percent. Had the Commission used ACS's proposed cost of debt with consistent efficient carrier input, the Commission would have arrived at a cost of capital of 12.01 percent. Even if the Commission had consistently used all embedded cost inputs with actual ACS cost of debt and ACS capital structure, the Commission would have arrived at a cost of capital of 12.75 percent. Both those numbers are substantially less than the 14.28 percent awarded by the Commission.

I guess we're ready to take questions at this point.

Turning to the feeder plant (ph), GCI believes the Commission also erred in establishing the cost for the portion of the model network known as feeder plant. The Commission error resulted from a modeling error in calculating the cost of trenching, combined with an assumption that none of the construction costs would be shared with other utilities. The Commission's assumption regarding joint trenching ignores testimony by both ACS and GCI, as well as existing state and municipal laws requiring simultaneous under-grounding of facilities with other utilities. The Commission's error in calculating costs of feeder plant results in a 13 percent increase over current loop rates.

GCI does not know what the results of the petition for reconsideration on these issues will be. If the RCA does not grant reconsideration, GCI will be free upon a final Commission order approving the interconnection contract to appeal these and other issues to the courts.

Regarding the DC Circuit decision, the news here is a bit better for GCI. As you know, the main impact of the court's June 15 decision was to vacate the rules requiring ILEC unbundling of the local switching network element for mass-market customers which is necessary for the UNE platform. The FCC has reportedly adopted a standstill order leaving all current arrangements in place for a six-month period, during which time it is expected to adopt new rules in response to the court's decision.

Although GCI can't predict the outcome of the FCC's proceedings or pending request to the Supreme Court to review the court's decision, we do not anticipate any immediate effect from the court's decision on our existing operations in Anchorage, Fairbanks and Juneau. This is because in Anchorage GCI does not use UNE-P and GCI uses UNE-P in Fairbanks and Juneau where it cannot access the loop due to ACS's network architecture. Further, as a result of the settlement between the two companies reached in May, GCI will continue to have access to UNE-P in Fairbanks and Juneau where it cannot directly access the loop. This settlement remains in force notwithstanding the court decision and the outcome of the FCC rulemaking through January 1, 2008. So we are safe on the UNE-P issue for now.

And I'm going to turn back to John.

John Lowber - General Communication - SVP & CFO

QUESTION AND ANSWER

Operator

(OPERATOR INSTRUCTIONS) Richard Klugman, Jefferies.

Richard Klugman - Jefferies - Analyst

I had a couple of questions, if I could. First of all, John, I noticed the interest expense was down, and I know you talked about the refinancings. Is this a good run rate for going forward, what you reported in the quarter?

John Lowber - General Communication - SVP & CFO

Yes, I think so. I think the cash interest is going to run, based on current rates which are up just a touch, somewhere around the 26 million range. That's the cash number, which is close to the book number.

Richard Klugman - Jefferies - Analyst

Secondly, the Dobson deal with wireless. Is it too early to talk about expectations there? Or what should we be thinking?

Unidentified Company Representative

In terms of financial expectations, market expectations? What do you (multiple speakers)

Richard Klugman - Jefferies - Analyst

Subscribers I meant.

Unidentified Company Representative

I think we will have to see how it goes. We think that there are a large number of our current customers who will be very interested in moving wireless into their existing bundle. We already serve about 12,000 wireless customers under our current resale relationship, and we will be able to offer them substantially better service with this arrangement. I think the new packages of service will probably materially increase that number over the next couple of years.

We've sort of got anywhere from 40 to 50 percent of the market for most of the products we sell, and I think over a period of years we'll certainly move in that direction on wireless, whether we would actually get to that number on wireless. Probably not, since

it's not completely our product. But we are expecting nontrivial market shares over a multiple year period.

Richard Klugman - Jefferies - Analyst

A couple more. DBS competition, you talked about that in the past as it related to basic cable sub declines. Now it's going back in the right direction, and I know seasonality had something to do with it. But where do you believe you currently stand in incrementally on DBS competition this quarter?

Unidentified Company Representative

I think our sense is that we're better vis-a-vis DBS than we were in the same quarter a year ago, which was prior to the time that they had launched the up-link of the Anchorage signals in their major marketing campaign. We saw a flurry of DBS activity in the third and fourth quarter last year. And as we noted in prior calls, we think they took probably 2000 customers from us. There's no question that Dish is still making some sales in the market, but the impact on us is very substantially muted from what it was in the third and fourth quarter last year. We're very alert to it and aggressive in our packaging and promotions, but certainly don't see any cause to expect material declines in cable market shares at this point.

Richard Klugman - Jefferies - Analyst

That's great. Also on the cable side, you mentioned the rebates and refunds from programmers. Can you quantify how much that was this quarter?

Unidentified Company Representative

It was a couple pieces. I think all-in it was around 700,000.

Richard Klugman - Jefferies - Analyst

Which was similar to the number I think you talked about last quarter on the USF side. Was there a USF component in this quarter on the LD?

Unidentified Company Representative

The USF issue showed up in the local area last time, and that was a onetime out-of-period type item that is not occurring this quarter. I think the run rate is coincidentally pretty close to that 700,000 in terms of recurring USF revenues. But it was just a normalized quarter on the front this time.

Richard Klugman - Jefferies - Analyst

Finally, if I could, Dana, I think what people are concerned about on the regulatory front is not -- obviously the 3.5 million is a chunk, but as it relates to the direction of regulatory rulings, could you see this as a sign of further future regulatory rulings?

For example, you mentioned -- and I know it's a long way off -- in 2008 you're all set with UNE-P in Fairbanks and Juneau. But over the next couple of years, based on what we've seen here should we interpret that it could be a more difficult regulatory environment for you going forward?

Dana Tindall - General Communication - SVP, Legal, Regulatory & Governmental Affairs

That's a good question. In this particular proceeding I think what happened is ACS told a very simple story; they basically asked the Commission to look at the outcome, which is the loop rate, and make a determination that it's not fair, and do whatever it takes to get to a higher loop rate. And GCI told a much more complicated story where we focused on costs and inputs, and expert testimony, and producing a model that then yielded a loop rate, what ever that was. And the Commission bought ACS's story.

Why they would do that, I think to be quite honest and I think ACS's whining and doomsday scenarios, combined with their attempts to terminate the Commission twice, have had an effect on the Commission. And the other factor at play here is many of the commissioners are new and seem to be a little overly concerned with protecting individual players rather than public interest.

In the end I think it will all get sorted out. GCI doesn't plan on waving the white flag. We're going to continue to press our case. We're not going to try to introduce legislation terminating the Commission; nor are we going to whine too much. But we will press our case. And if we don't get reconsideration at the Commission, we will go to court, and we will go to court again. And I think in the end the merits will prevail.

Richard Klugman - Jefferies - Analyst

What's kind of the next data point or the next thing to look out for in regulatory going forward?

Dana Tindall - General Communication - SVP, Legal, Regulatory & Governmental Affairs

We have a situation where Matanuska Telephone Association, a co-op, has gone into the video business, and as a cable company no longer has a rule exemption with respect to GCI. GCI has filed upon a bona fide request for negotiations and interconnection, and MTA has not comply. We're waiting to see whether or not the

Commission will compel MTA to negotiate. So that would be the next data point to look for.

Richard Klugman - Jefferies - Analyst

Just refresh my memory, because I can't remember how many lines they have since ACS tried to buy them a few years ago. How large are they?

Unidentified Company Representative

About 60,000.

Richard Klugman - Jefferies - Analyst

That's great. Thanks a lot.

Operator

Todd Rosenblum, Standard & Poor's.

Todd Rosenblum - Standard & Poor's - Analyst

Todd Rosenblum with S&P on the equities side. Quick question regarding the stock buyback. Is not available to occur in the third quarter; is it effective now?

John Lowber - General Communication - SVP & CFO

It will be subject to normal green light buying opportunities. So once we get this Q filed and information is what we consider widely disseminated, then we will be good to go. So yes, it will be this quarter (indiscernible) the stock price stays on sale like it is now, we will be in there as quick as we can.

Todd Rosenblum - Standard & Poor's - Analyst

If I heard you correctly it was for the third quarter and the fourth quarter, and then the beginning of 2005, by then you will decide to get approval or not from the appropriate preferred shareholders and lenders, is that correct?

Unidentified Company Representative

I think we will be pursuing approval either way. The Board's decision was to commence a regular \$5 million per quarter equity buyback. Our current credit agreements give us the flexibility to buy 10 million which covers the first two quarters. And it's our anticipation that we will seek either rolling permissions from the